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SUBJECT: ICELAND DEFENSE: FM HAARDE DEFENDS  
COOPERATION WITH U.S.

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¶1. (SBU) Summary: In a 4/29 parliamentary briefing on bilateral defense talks earlier in the week, FM Haarde continued to emphasize that the U.S. and Icelandic governments are moving forward constructively to develop new defense arrangements in preparation for the upcoming closure of Naval Air Station Keflavik (NASKEF). PM Asgrimsson's party, the coalition junior partner, continued to distance itself from Haarde's "loss" of the base, while opposition members variously expressed impatience with the government's failure to finalize a post-NASKEF defense plan and called on the government to hold the U.S. accountable on labor and environmental transition issues.

¶2. (SBU) Summary continued: We expect these themes to echo during the run-up to the May 2007 parliamentary election. If by this time next year we have new defense and security arrangements in place - and have resolved pending base closure legal, financial, and technical issues - we expect the defense issue to move off center stage. End summary.

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Government Briefs  
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¶3. (U) Icelandic Foreign Minister and Independence Party (IP) Chairman Geir Haarde met with the Icelandic Parliament's (Althing's) Foreign Affairs Committee April 29, following April 26-27 defense negotiations with a joint State-DOD team (reftel). Haarde told his parliamentary colleagues:

-- The U.S. and Iceland have not finalized a plan to provide for Iceland's defense following closure of Naval Air Station Keflavik (NASKEF) at the end of the fiscal year, and detailed bilateral discussions will continue. The U.S., responsible for Iceland's defense, is doing the technical work for the plan.

-- Iceland is not now asking any European country to provide for Iceland's defense; Haarde is focusing on reaching an agreement with the U.S. and expects that the ongoing talks will produce such an agreement. (Note: in March and April PM Halldor Asgrimsson, chair of the coalition junior partner Progressive Party, repeatedly suggested that Iceland look to Western Europe for defense guarantee. End note.)

-- A recent French offer to Minister of Justice Bjorn Bjarnason to increase French naval patrols of the North

Atlantic is positive news but will not substitute for ideas being discussed with the U.S.

-- Iceland would seek a common document/declaration to be issued at the end of talks that would address the include the EUCOM-authored defense plan, the status of the 1951 Defense Agreement, cooperation to combat nontraditional threats, and police cooperation.

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Opposition Snipes  
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14. (U) Opposition politicians responded to Haarde's briefing with a repetition of themes they have stressed since the March 15 announcement that the U.S. would realign NASKEF:

-- Main opposition Social Democratic Alliance (SDA): MP Thorunn Sveinbjarnardottir expressed impatience with the slow pace of defense planning and urged the government to collaborate with NATO on replacing U.S. assets. (Note: Haarde had traveled to Sofia April 27-28 for the NATO ministerial, but we are unaware of any sign that he used the opportunity to explore Alliance alternatives to EUCOM proposals. End note.) MP and former party chairman Ossur Skarphedinsson used an op-ed in the country's largest circulation newspaper, Frettabladid, to lambaste Haarde for failing to secure continued operation of the IADS radar stations and praise Bjarnason for "put(ting) us in the French sphere of influence."

-- Left Greens (LG): MP and Party Chairman Steingrimur Sigfusson argued that "instead of sitting and waiting for proposals from the United States and trying to hang

on to some kind of minimal, pseudo-defense capability, the Icelandic Government should demand of the United States military and the U.S. Government that things be left in decent condition here, that the pollution they have caused be cleaned up, and that they accept their responsibilities toward the people who have worked for them."

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Coalition Partner Keeps its Distance  
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15. (U) Asgrimsson's Progressive Party reiterated its disappointment in the manner of the U.S. departure. MP Magnus Stefansson, deputy chairman of the Foreign Affairs Committee, remarked that the U.S. should already have had a follow-on defense plan ready when we decided to close the base. He conceded, however, that "the issue is complicated, especially as regards the grounds of the base, and it is not surprising that this will take time."

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Comment  
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16. (SBU) Comment: Reactions to the latest round of defense talks fall along party lines, where we expect them to remain. Haarde's Independence Party asks Icelanders to 'stay the course' and trust in the government's ability to continue to deliver security. Asgrimsson's Progressives seek to distance themselves from Haarde's "loss" of the base. The Alliance uses defense as a wedge issue to push its goal of EU accession. The Left Greens castigate the U.S. while playing populist and, well, green.

17. (SBU) We expect to hear similar themes repeatedly in the run-up to the May 2007 parliamentary elections. If by this time next year we have new defense and security arrangements in place - and, equally importantly, have resolved pending NASKEF transition issues related to land return, residual value, NATO property and environmental cleanup - we believe the defense issue

will move off political center stage. End comment.

KOSNETT